

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**APPLICATION OF LONGFELLOW
ENERGY, L.P. FOR COMPULSORY
POOLING, EDDY COUNTY, NEW
MEXICO.**

CASE NO. 25804

XTO HOLDINGS, LLC'S CLOSING STATEMENT

In accordance with the Hearing Examiner's request at the February 26-27, 2026, hearing in the above-captioned matter, XTO Holdings, LLC ("XTO") submits the following closing statement.

I. INTRODUCTION

In this matter, the Applicant, Longfellow Energy, L.P. ("Longfellow") is seeking to force XTO to assign unrelated acreage by using forced pooling to prevent XTO from maintaining its own lease. This is an egregious abuse of forced pooling by an operator acting in bad faith, with the goal to shake down a fellow operator through the forced pooling mechanism.

Ostensibly, Longfellow seeks to pool all uncommitted interests in the Yeso formation underlying a 320-acre standard, horizontal spacing unit in the S/2 of Section 33, Township 16 South, Range 31 East, Eddy County, New Mexico ("Unit"). Longfellow seeks to dedicate the Unit to eight (8) Van Halen 33 CD Fed Com wells ("Van Halen Wells"). The Unit is comprised of two adjacent federal leases: NMLC 000056302B (XTO's lease) and NMLC0063368 (Longfellow's lease). However, the evidence shows that XTO has real concerns as to whether Longfellow will actually drill the Van Halen Wells and will instead drill a single vertical well to maintain its lease at the expense of XTO's lease and thus strand acreage.

Although XTO has not filed a competing pooling application, the Division should consider the following factors while evaluating Longfellow's development plan:

1. An evaluation of the mineral interest ownership held by each party at the time the application is heard.
2. A comparison of geologic evidence presented by each party as it relates to the proposed well location and the potential of each proposed prospect to efficiently recover the oil and gas reserves underlying the property.
3. A comparison of the risk associated with the parties' respective proposal for the exploration and development of the property.
4. A review of the negotiations between the competing parties prior to the applications to force pool to determine if there was a "good faith" effort.
5. A comparison of the ability of each party to prudently operate the property and, thereby, prevent waste.
6. A comparison of the differences in well cost estimates (AFE) and other operational costs presented by each party for their respective proposals.
7. A comparison of the ability of the applicants to timely locate well sites and to operate on the surface (the "surface factor").

Order No. R-20223; *see* Order No. 21416-A at ¶ 9, n.1. XTO plans to fully develop the portion of the unit in which it controls 100% of the interest, does not need to file a pooling application to develop the acreage, and is ready to commence development. Because Longfellow's proposed development plan directly conflicts with XTO's plan to maintain its lease, the granting of Longfellow's application would impair XTO's correlative rights and create waste.

II. ARGUMENT

A. Working Interest Control: Longfellow's Application should be denied because XTO controls approximately 100% of the working interest in Tracts 2 and 3.

Working interest control is an important factor in evaluating competing development plans. *See KCS Medallion Resources, Inc.*, Commission Order R-10731-B (Feb. 28, 1997) at ¶ 24 ("In the absence of compelling factors such as geologic and prospect differences, ability to operate prudently, or any reason why one operator would economically recover more oil or gas by virtue of being awarded operations than the other, 'working interest control'...should be the controlling factor in awarding operations."). XTO owns 100 percent of the federal lease NMLC 000056302B,

for a total of 50% of the working interest in the Unit. Tr. (02/27/26) 11:19 – 12:6; XTO Exhibit A, ¶¶ 6, 8. XTO's lease will terminate on July 1, 2026, if production has not been established from the lease by that date. Exhibit A, ¶ 7. Longfellow does not currently have the right to drill the proposed Van Halen Wells because it does not hold an interest in every tract it seeks to develop. This will impact the ability of both XTO and Longfellow to drill wells to hold their leases prior to July 1, 2026.

In Case Nos. 20410 and 20298, the Division rejected attempts to preclude operators that held 100% of the working interest in their units from developing their acreage. In Case No. 20410, the Division denied OXY USA, Inc.'s ("OXY") motion to stay administrative approval of drilling permits issued to Murchison Oil & Gas ("Murchison") when Murchison controlled 100% of the working interest in its 1-mile laterals and OXY sought to develop 2-mile laterals.¹ Similarly, in Case No. 20298, the Division denied Catena Resources Operating, LLC's motion to suspend Mewbourne's drilling permit when Mewbourne controlled 100% of the working interest in its proposed spacing unit.² Here too, where XTO owns 100% of the acreage in Tracts 2 and 3 of Longfellow's proposed spacing unit.

As shown during the hearing, XTO seeks to maintain its lease through development with Mack Energy. *See* Tr. (02/27/26) 8:16 – 10:17, 19:9-13, 50:6 -51:15, 73:19 – 74:5, 83:4-22. Longfellow's disingenuous attempt at compulsory pooling places XTO's lease at great risk and should not be permitted by the Division.

¹ *See* Order No. R-20430.

² *See* Order No. R-20467.

B. Prudent Operator: Longfellow has not demonstrated that it is a prudent operator.

As the applicant in this proceeding, Longfellow bears the burden of proof.³ At the hearing, Longfellow conceded that it does not have any active rigs operating today in New Mexico. 02/26/26 Tr. 277:13-14. It also does not have any producing wells in the area surrounding the proposed Van Halen Spacing Unit. 02/26/26 Tr. 205:4-8. Further, Longfellow's significant cost overruns on other wells raise questions as to whether it can prudently operate the wells it is currently proposing. 02/26/26 Tr. 309:23 – 310:1; 02/27/26 Tr. 76:11-23. Longfellow's lack of active rights or producing wells in the area, and its failure to control well costs, make its ability to prudently operate and prevent waste uncertain and speculative. Therefore, this factor also favors XTO.

C. Surface Factor: Longfellow is not prepared to operate on the surface and its plan will result in surface, environmental, and economic waste.

XTO, through Mack, has filed for BLM approval to drill a horizontal well on its lease, which will prevent the lease from expiring. 02/27/26 Tr. 8:16 – 10:17, 19:9-13, 50:6 – 51:15. Mack already has approval for a surface location on XTO's lease; has a rig contracted; and is able to move forward quickly (within 10 days)—this is the best way for XTO to maintain its leasehold. 02/27/26 Tr. 10:1-17, 53:6-10, 73:19 – 74:5, 83:4-22; XTO Exhibit A-8. By contrast, Longfellow's surface hole location and APD have not been approved by BLM. 02/27/26 Tr. 10:18-21. XTO has shown that it can act promptly to maintain its lease. Longfellow does not currently have any rigs in New Mexico, which will further limit its ability to drill and produce its wells in a timely manner.

Additionally, due to surface issues, Longfellow intends to place its surface hole location well outside of the spacing unit, which will result in approximately 2,000 feet of unproductive

³ See Order No. R-21416-A, ¶ 3.

lateral. XTO Exhibit B, ¶ 7.b. This will result in waste, anti-collision drilling risk, and increased costs to the working interest owners, including XTO. *Id.*

D. Costs: Longfellow's well costs are not capital efficient for working interest owners.

Longfellow's proposed costs are considerably higher than other operators in the Yeso Play. 02/27/26 Tr. 77:7-23. In addition to being excessive, Longfellow's costs are uncertain—XTO has received multiple cost proposals from Longfellow through time with shifting costs. 02/27/26 TR 86:25 – 87:5. Moreover, Longfellow has demonstrated cost overruns of approximately 25 percent in its Ozzy Wells, which further shows the uncertainty and risk associated with the projected well costs for the Van Halen Wells. 02/26/26 Tr. 309:23 – 310:1; 02/27/26 Tr. 76:11-23. While Longfellow attempts to justify its excessive costs due to higher-fluid loading; however, Longfellow's reliance on top-performing wells is misplaced as production within the Yeso formation is not constant through the area and the wells relied on as analogues are closer to the core of the play where production is higher. 02/27/26 Tr. 88:6-21.

Moreover, Longfellow's proposed 1-mi horizontal development is less capital-efficient than extended lateral wells of 1.5 mi or more across the three adjacent undeveloped sections 32, 33 and 34. XTO Exhibit B, ¶ 9. XTO's Exhibit B-4 depicts the area that XTO proposes could be developed more efficiently with extended laterals and fewer surface locations. The lease could be preserved by either an initial lateral well or vertical well to later develop the area more optimally. XTO Exhibit B, ¶ 9.

Accordingly, this factor also weighs against approval of Longfellow's development plan.

E. Risk: Longfellow's proposed development is risky.

Longfellow's proposed development is risky. Indeed, Longfellow admitted to XTO that there are significant risks and costs associated with its development plan and that it may not

actually develop the acreage as proposed. 02/27/26 Tr. 18:4-16. The evidence adduced at hearing suggests that Longfellow will compulsory pool the acreage but then subsequently drill a vertical well, which will result in XTO losing its lease. 02/27/27 Tr. 17:16 – 18:3, 19:21 – 20:4. In its discussions with XTO, Longfellow has made it clear that the latter approach, i.e., drilling a vertical well, is the likely result should XTO fail to accept proposals on Longfellow's terms. 02/27/27 Tr. 44:10-23.

Beyond presenting a risk that XTO will lose its lease because Longfellow will not actually follow through with its development plan, the plan itself is risky. Longfellow has proposed an overly dense development of eight 1-mile laterals at 16 wells per section spacing outside the established horizontal developments in the south. 02/27/26 Tr. 77:7-23. 02/27/26 Tr. 80:1-21. In general, eight wells per section is typical for the area immediately to the south. While there are some instances of up to 11 or 12 wells per section, these have underperformed. *Id.* Units farther north outside the core of the play where reservoir quality degrades, as with the Van Halen Wells, do not support the kind of dense development proposed by Longfellow here. *Id.*

For these reasons, this factor also weighs against approval of Longfellow's Application.

F. Geology: Longfellow proposes to develop unproven intervals in this area and ignores geological risk.

As outlined above, Longfellow's proposed units and spacing presents geological risk. "[T]he most important consideration in awarding operations to competing interest owners is geologic evidence as it relates to well location and recovery of oil and gas and associated risk." Order No. R-10731-B. Here, this factor weighs against Longfellow.

Longfellow seeks to develop an area of the Yeso Play that is unproven and uncertain. 02/27/26 Tr. 30:18-24, 77:7-23, 81:17-24, 89:18 – 90:2. Longfellow's analysis is severely flawed because it relies on production from wells that are 22 miles away. 02/27/26 Tr. 78:13 – 79:8.

According to XTO's witnesses, Longfellow's plan would result in waste and not protect correlative rights because of overly dense development proposed, particularly for this area, where resource quality is degrading to the north. 02/27/16 Tr. 89:18 – 90:2.

Here, XTO's appropriate consideration of geological risk compared to Longfellow's lack of meaningful geological analysis pushes this factor in favor of XTO.

G. Good Faith Negotiations: Longfellow did not negotiate with XTO in good faith.

Longfellow did not negotiate in good faith. Longfellow and XTO have been discussing the Van Halen Unit since August 2025. 02/26/27 Tr. 199:2-5. On January 6, 2026, XTO withdrew its initial protest to Longfellow's pooling application based on assurances that negotiation would continue between the parties. 02/26/26 Tr. 199:10-17; XTO Exhibit A, ¶¶ 13-14. XTO emailed Longfellow twice to confirm that XTO would not be pooled and negotiations would continue. XTO's Exhibit A, ¶ 15; XTO Exhibit A-4, at 9, 10. Longfellow did not respond. XTO's Exhibit A, ¶ 16; XTO Exhibit A-4.

On February 3, 2026, XTO and Longfellow had a meeting in which Longfellow falsely represented that it was already drilling five vertical wells to hold its acreage in other sections and informed XTO that Longfellow could just drill a vertical well in Section 33 to maintain its lease. 02/26/26 Tr. 205:17-21, 205:22 – 206:2, 210:11-16, 216:13-19, 301:12 – 302:1. Longfellow also told XTO that it was uncertain whether it could drill the Van Halen wells ahead of the July 2026 lease expiration. 02/26/26 Tr. 210:21 – 211:8, 216:7-12. Longfellow stated that it had no plan to develop the Van Halen Spacing Unit and would let the pooling order expire. XTO Exhibit A, ¶ 17.

During this meeting, Longfellow told XTO that they would only move forward with the proposed development if XTO would term assign acreage to them that was unrelated to Van Halen. 02/27/26 Tr. 14:12 – 15:3; XTO Exhibit A, ¶ 17. Longfellow also wanted XTO to agree to a deal

outside of the Van Halen area and if XTO did not agree to these terms, Longfellow stated that it would instead drill a vertical well to maintain Longfellow's acreage, which would mean that XTO's acreage would terminate. 2/27/26 Tr. 15:4-14, 44:10-23.

After the February 3rd meeting, XTO did not have confidence that Longfellow wanted to move forward with drilling a horizontal well. Rather, XTO was left with the impression that Longfellow was going to compulsory pool the acreage and subsequently drill a vertical well. 02/27/26 Tr. 17:16-24. At that time, XTO then reached out to Mack to seek ways to preserve XTO's acreage. 02/27/26 Tr. 19:9-13, 83:4-22. XTO's concerns about Longfellow's failure to ultimately follow through with the Van Halen wells are compounded by the fact that Longfellow has submitted APDs for vertical wells to maintain surrounding leaseholds in Sections 28, 29, and 30, Township 16 South, Range 31 East. XTO Exhibit A-7.

Here, the evidence demonstrates that Longfellow has not negotiated in good faith with XTO and instead has sought to ransom XTO by demanding a term assignment for *unrelated* acreage under the threat that if XTO does not agree, Longfellow will not follow through on its development plan and XTO's lease will expire. Such action is not in good faith. Longfellow has also pursued plans to drill a vertical well outside of the Van Halen spacing unit that would only perpetuate its own lease, and not XTO's. This fact further demonstrates Longfellow's true intentions – shake down XTO through the forced pooling process while drilling a vertical well to hold Longfellow's own lease. Such conduct should not be countenanced by the OCD.

III. CONCLUSION

For the foregoing reasons, and as demonstrated by the evidence submitted at hearing, all the factors considered by the Division in evaluating development plans weigh against approval of Longfellow's Application. Longfellow's plan is speculative and uncertain, excessively priced, and

fails to ensure that XTO will maintain its leasehold. The Commission should reject Longfellow's Application and instead allow each party to proceed with developing their own acreage on their own leases so that both parties may develop their respective positions and optimize economic outcomes.

Respectfully submitted,

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CERTIFICATE OF SERVICE

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